

Transportation Revenue Options Study



Presentation to the Governor's Transportation Summit
April 5, 2007

Comparison of State and Local System Revenues and Needs through FY 2030

Billions of 2008 Constant Dollars

Needs	Costs	Revenues	Shortfall
Sustaining the State System	\$89	\$24	\$65
Sustaining Local Roads, Airports, and Transit	\$75	\$50	\$25
Expanding the State System	\$40	\$0	\$40
Expanding Local Roads, Airports, and Transit	\$33	\$0	\$33
TOTAL	\$237	\$74	\$163



Analysis of 15 options organized into 3 categories:

- User Related, 7 Options
- General Tax Increases, 4 Options
- Other Options, 4 Options

Note: Estimates for all options are presented in 2008 constant dollars



7 User-Related Revenue Options



- Increase the Fuel Tax by One Cent
- Index the Fuel Tax to Inflation
- Impose the State Sales Tax on Motor Fuel Purchases
- Increase the Motor Vehicle Registration Fee
- Impose One Cent per Mile Tax on VMT
- Increase the Sales Tax Rate on Vehicles and Vehicle Parts
- Extend the Sales Tax to Vehicle Repair Services

Increase the Fuel Tax

Description of Option: Increases the current motor fuel tax of 22¢ per gallon on gasoline and 20.5¢ per gallon on diesel fuel by 1¢ per gallon.

Raises:

- \$27 Million in 1st full year
- \$169 Million cumulatively by 2015
- \$518 Million cumulatively by 2030

Perspectives:

- To raise \$1 Billion by 2015, a 5.9¢ per gallon tax increase is necessary
- 5.9¢ per gallon tax increase would raise \$3.1 Billion by 2030
- Annual collections from the tax increase are expected to decline by 20% by 2030



Index the Fuel Tax to Inflation

Description of Option: Indexes the motor fuel tax rate to the yearly increase in the Denver/Boulder/Greeley Consumer Price Index

Raises:

- \$23 Million in 1st full year
- \$453 Million cumulatively by 2015
- \$4,582 Million cumulatively by 2030

Perspectives:

- Gasoline tax rates would increase by 0.7¢ per gallon in the first year
- Over \$1 Billion would be raised cumulatively by FY 2019
- Gasoline tax rates would increase by 19.7¢ per gallon by FY 2030
- Annual collections from the tax increase are expected to increase 17-fold by FY 2030



Impose State Sales Tax on Fuel Purchases

Description of Option: In addition to the state motor fuel tax, imposes the 2.9% state sales tax on the retail price of motor fuels

Raises:

- \$178 Million in 1st full year
- \$1,215 Million cumulatively by 2015
- \$4,657 Million cumulatively by 2030

Perspectives:

- At a \$2.00 per gallon retail price, the 2.9% sales tax is equivalent to a 5.8¢ per gallon increase
- Over \$1 Billion would be raised cumulatively by FY 2014
- Annual collections are expected to increase by 45% by FY 2030



Impose One Cent per Mile Tax on VMT

Description of Option: Imposes a tax of 1¢ on each mile traveled by each vehicle within Colorado

Raises:

- \$439 Million in 1st full year
- \$2,783 Million cumulatively by 2015
- \$8,570 Million cumulatively by 2030

Perspectives:

- No other state imposes a VMT tax, although Oregon is conducting a pilot program to test the concept
- Over \$1 Billion would be raised cumulatively during FY 2011
- Annual collections from are expected to decrease by 18% by FY 2030



Increase the Motor Vehicle Registration Fee

Description of Option: Increases motor vehicle registration fees by \$1 across the board for all categories

Raises:

- \$5 Million in 1st full year
- \$32 Million cumulatively by 2015
- \$96 Million cumulatively by 2030

Perspectives:

- The average motor vehicle in Colorado pays approximately \$26.60 per year in registration fees, so the \$1 increase is a 3.8% increase on average
- \$1 Billion would not be raised cumulatively during the forecast horizon
- Annual collections are expected to decline by nearly 21% by FY 2030



Increase the Sales Tax Rate on Vehicles and Vehicle Parts

Description of Option: Increases the state sales tax on sales of motor vehicles and motor vehicle parts by 1 percentage point

Raises:

- \$88 Million in 1st full year
- \$609 Million cumulatively by 2015
- \$2,479 Million cumulatively by 2030

Perspectives:

- State sales tax on these items is estimated to have raised \$237 million in 2005.
- \$1 Billion would be raised cumulatively by FY 2019
- Annual collections are expected to increase by 67% by FY 2030



Extend the Sales Tax to Vehicle Repair Services

Description of Option: Imposes the 2.9% state sales tax on motor vehicle repair services – the labor portion of a vehicle repair bill

Raises:

- \$38 Million in 1st full year
- \$250 Million cumulatively by 2015
- \$868 Million cumulatively by 2030

Perspectives:

- Currently, only charges for vehicle repair parts are subject to the sales tax in Colorado, and labor charges are exempt
- \$1 Billion would be raised cumulatively by FY 2034
- Annual collections are expected to increase by 13% by FY 2030



4 General Tax Increase Options

- Increase the General Sales Tax Rate
- Increase the Income Tax Rate
- Statewide Property Tax of One Mill
- Impose Lodger's and Vehicle Rental Tax



Increase the General Sales Tax Rate

Description of Option: Increases the 2.9% state sales and use tax rate by 0.1 percentage point

Raises:

- \$89 Million in 1st full year
- \$621 Million cumulatively by 2015
- \$2,655 Million cumulatively by 2030

Perspectives:

- As a percentage of personal income, Colorado's state sales taxes ranked 44th in the US, local government sales taxes ranked 3rd, and combined state and local sales taxes ranked 27th in 2003-04
- \$1 Billion would be raised cumulatively by FY 2019
- Annual collections are expected to increase by 89% by FY 2030



Increase the Income Tax Rate

Description of Option: Increases the current 4.63% state income tax on individuals and corporations by 0.1 percentage point

Raises:

- \$129 Million in 1st full year
- \$933 Million cumulatively by 2015
- \$4,829 Million cumulatively by 2030

Perspectives:

- As a percentage of personal income, Colorado's income taxes rank 30th out of the 43 states levying an individual income tax, and 42nd out of 46 states levying a corporate income tax
- \$1 Billion would be raised cumulatively by FY 2016
- Annual collections are expected to increase by 186% by FY 2030



Statewide Property Tax of One Mill

Description of Option: Imposes a levy of 1 mill on all taxable assessed valuation in the state

Raises:

- \$84 Million in 1st full year
- \$558 Million cumulatively by 2015
- \$2,058 Million cumulatively by 2030

Perspectives:

- Only local governments in Colorado currently levy the property tax – the state mill levy was repealed approximately 40 years ago
- \$1 Billion would be raised cumulatively by FY 2020
- Annual collections are expected to increase by 31% by FY 2030



Impose Lodger's and Vehicle Rental Tax

Description of Option: Increases the state sales tax by 1 percentage point on tourist related lodging and vehicle rentals

Raises:

- \$37 Million in 1st full year
- \$241 Million cumulatively by 2015
- \$908 Million cumulatively by 2030

Perspectives:

- Currently, lodging and vehicle rentals are subject to the state 2.9% sales tax – a previous similar tourism promotion tax expired in 1992
- \$1 Billion would be raised cumulatively by FY 2032
- Annual collections are expected to increase by 30% by FY 2030



4 "Other" Revenue Options

- An increase in the severance tax.
- Establishment of a weight-distance tax on trucks.
- Asking the voters to approve a subsequent retention of revenue upon the expiration of the Referendum C revenue change and dedicate the retained revenues to transportation.
- Local funding options – Impact Fees

None of these options were forecast

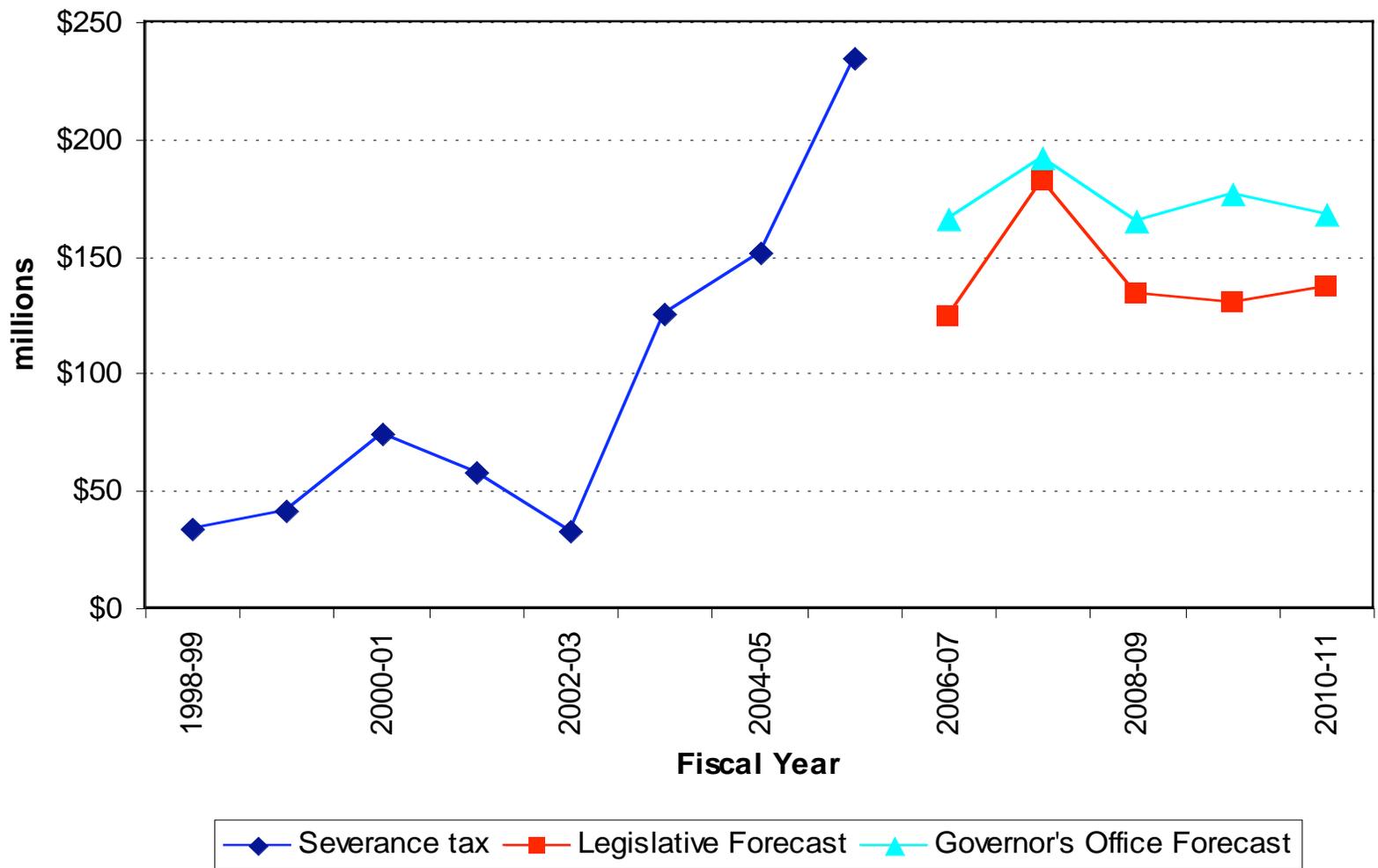


Increase the Severance Tax

- Severance tax receipts price sensitive and, especially for oil and gas, highly volatile
- Energy companies allowed a tax credit to offset 87.5% of property taxes
- Because of volatility, severance tax forecasts extremely unreliable



Severance Tax Revenues and Forecasts



Impose Weight - Distance Tax

- Colorado had weight – distance tax
 - Gross Ton - Mile tax
 - Repealed in 1989
 - Replaced with increased truck registration fees
- Repeal Factors
 - Complexity
 - Administrative and enforcement problems
- 4 states currently have weight – distance tax
- Revenues raised by re-imposition of a weight - distance tax would depend on tax structure



Retain TABOR Surplus Revenue and Earmark for Transportation



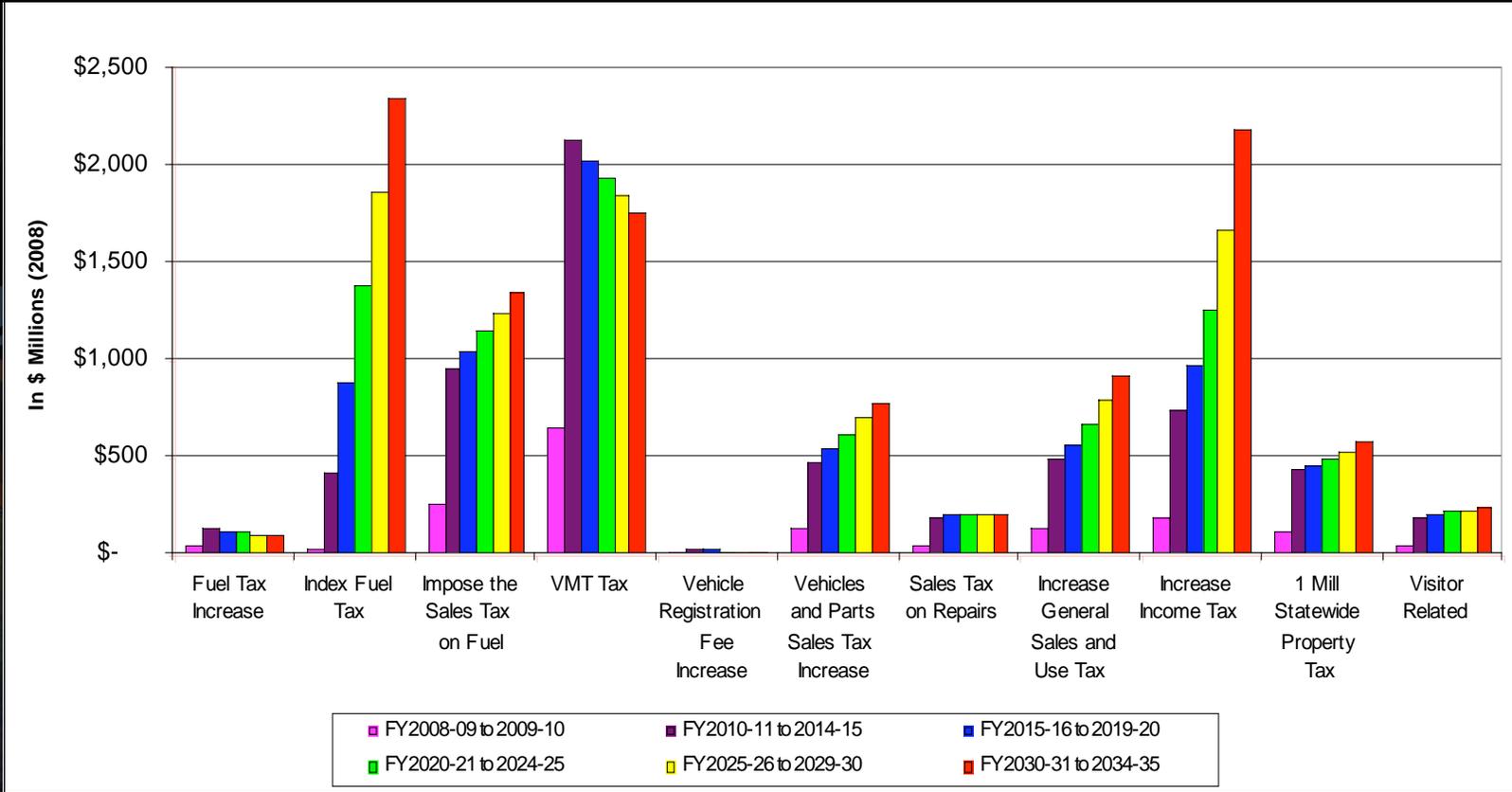
- Referendum C expires in 2011
- Expect future TABOR surpluses, but timing is unknown
- Forecasting the surpluses complex
 - All General Fund and cash fund revenues
 - Economic and population data
- Previous forecasts of this type have been problematic.

Local Funding Options – Impact Fees



- Used increasingly by local governments
- Must be imposed on new growth
- Fund growth-related capital needs including transportation improvements
- Case law requires nexus between the fees and the reasonable cost of growth-related improvements
- State use of such fees may be legally and administratively difficult

Relative Contribution From Modeled Increase



Rate Necessary to Raise \$1 Billion by 2015

(in 2008 Constant Dollars)



Option	Current Rate	Total Rate After Increase
Fuel Tax Increase	Gasoline - 22¢ per gal Diesel - 20.5¢ per gal	Gas 27.9¢ per gal Diesel 26.4¢ per gal
Sales Tax on Fuel	Not Charged	2.39%
VMT	Not Charged	.036 Cents per Mile
Registration Surcharge	Varies	\$31.25/Reg. Additional
Vehicle, Parts Sales Tax Increase	2.9%	4.54%

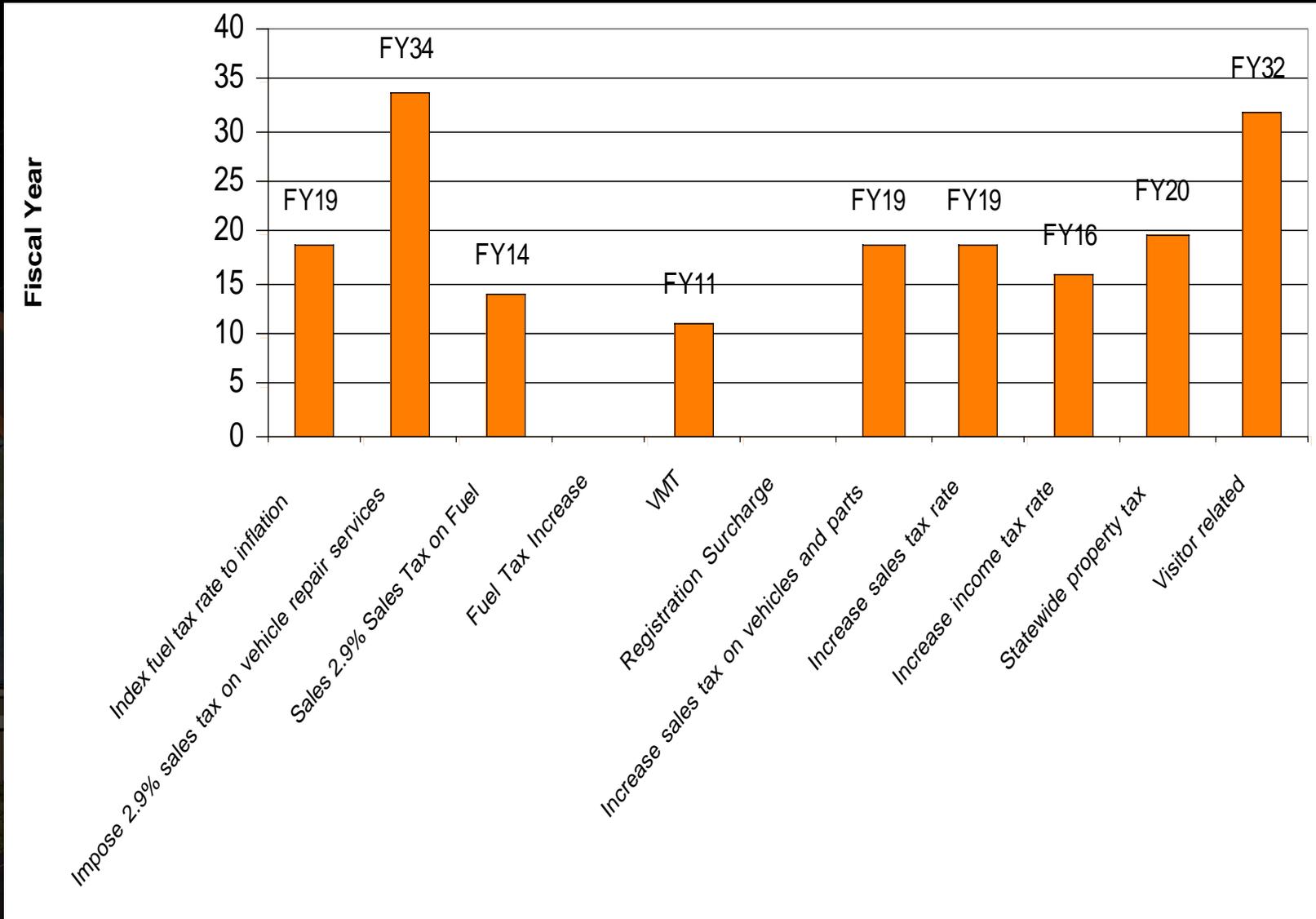
Rate Necessary to Raise \$1 Billion by 2015

(in 2008 Constant Dollars)



Option	Current Rate	Total Rate After Increase
Increase Sales Tax	2.9%	3.061%
Increase Income Tax	4.63%	4.74%
Statewide Prop. Tax	Varies Locally, Currently No Statewide Tax	1.792 Mills Additional
Visitor Related Taxes	2.9%	6.24%
Sales Tax on Repair Services	Not Charged	11.60%

When Modeled Increment Raises \$1B



Note: For options without year, \$1B is not raised by 2035 at modeled increment

For Further Information

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